ParFX (UK) Limited

Strategic report, Directors' report and statutory financial statements
31 December 2019
Registered no: 08358985

Contents

General information

Directors	F Brisebois M Leibowitz R Rutherford W Wostyn
Secretary	M Lau
Registered office	Beaufort House 15 St. Botolph Street London EC3A 7QX
Auditors	Ernst & Young LLP 25 Churchill Place London E14 5EY
Solicitors	Mayer Brown International LLP 201 Bishopsgate London EC2M 3AF
Bankers	NatWest 120 – 122 Fenchurch Street London EC3M 5AN

Strategic report

The Directors present their strategic report for the year ended 31 December 2019 for ParFX (UK) Limited ("the Company"). The Company is a private limited company incorporated and registered in England and Wales.

Results and dividends

The Company recognised a profit for the year after taxation of USD 1,201k (2018: profit of USD 1,378k) as shown in the Statement of Comprehensive Income on page 12. The Directors do not recommend paying a final dividend (2018: nil).

Principal activities and review of the business

The principal activity of the Company is the provision of a wholesale electronic trading platform for spot FX products, supporting multiple currency pairs on a 24 hour basis.

The Company is related to a number of UK entities which comprises TFS Derivatives Limited, Tradition Financial Services Limited, Tradition London Clearing Limited, Tradition (UK) Limited and Tradition Management Services Limited. Whilst these entities do not all have the same immediate parent, for the purposes of these financial statements they are described as the "Tradition UK group".

The Company's key financial indicators are turnover and operating profit. The Company's turnover for the year was USD 6,845k a decrease of 3.7% year on year (2018: USD 7,111k). Administrative expenses of USD 5,497k were 1% favourable on prior year (2018: USD 5,549k) resulting in an operating profit of USD 1,348k (2018: USD 1,562k).

The Company also recognised other income relating to the provision of electronic data to third parties (data sales) of USD 146k (2018: USD 147k). The resulting net profit for the year after taxation was USD 1,201k (2018: USD 1,378k). The net liability of shareholders' funds has decreased from USD 5,877k to USD 4,676k due to the profit generated in 2019.

Increase in trade and other receivables of USD 501k is driven by increase in trade debtors of USD 502k. The year on year decrease in creditors of USD 1,152k is predominantly driven by the decrease in payables to other Group companies of USD 991k.

Principal risks and uncertainties

Brexit

The United Kingdom left the European Union on 31 January 2020 and is now in a transitional period until 31 December 2020. At present it is unclear what the consequences of this will be, for example, the ability to service clients in the EU27 from the United Kingdom. The Tradition UK group has put into action contingency plans to aim to ensure as far as is possible continuity of service to clients. Significant uncertainty still exists around what Brexit will actually mean for the UK financial market; however a number of workstreams have been initiated to prepare for a range of outcomes which may include the need to transfer staff and certain operations within the EU27. The Board continues to actively monitor the situation.

Other risks - Coronavirus disease 2019 ("COVID-19")

The COVID-19 pandemic is resulting in significant volatility in financial markets as well as disruptions to people's lives as a result of prevent measures at a national and global level. The Company is relatively protected against any decline in brokerage revenues due to the minimum monthly brokerage committed by its Founding members.

Through a dedicated committee which meets frequently, the Tradition UK group is actively managing its response to COVID-19 which included the provision of significant remote working capabilities supported by IT, to enable personnel to work away from the Company's offices whilst still maintaining appropriate controls and risk processes over their activities. There has not been any material disruption to its operations as a result.

By order of the Board

R Rutherford
Director
24 June 2020

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2019.

Directors and their interests

The Directors who served during the year and up until the date of signing were as follows:

F Brisebois	
M Leibowitz	
D Marcus	(resigned 22 May 2020)
R Rutherford	
S Umpelby	(resigned 1 February 2019)
W Wostyn	

None of the Directors had any beneficial interest in the share capital of the Company at any time during the year.

Directors' liabilities

The Company has granted an indemnity to one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year.

Going concern

The Company ended the year in a net liability position of USD 4,676k (2018: USD 5,877k) with a strong focus on cost control and amortisation roll off helping to generate an after tax profit of USD 1,201k (2018: USD 1,378k).

The Company continues to attract new prime clients and strengthen the platform's global distribution network. In addition, founder members have agreed to extend the minimum brokerage fee for another twelve months, stabilising further the revenue run rate.

The Company has been generating monthly profits since mid-2016 and there is no reason not to expect that this will continue for the foreseeable future.

The Directors are satisfied that the Company has adequate resources to continue to operate for the 12 months from the reporting date of the financial statements and confirm that the Company is a going concern. Financial support has been extended by the Company's immediate parent entity ParFX Holdings SA over this period in the unlikely event that the Company needs it. For this reason they continue to adopt the going concern basis in preparing these financial statements.

Future developments

The on boarding of new clients continues to be strong and the desire from the market to join ParFX remains high. Furthermore the founder banks continue to support the initiative and have the desire for it to succeed against the competition. The Company continues its focus on expanding its global distribution network and widening its FX electronic trading community as part of the global Tradition brand.

Events after the balance sheet date

COVID-19 has been declared a global pandemic by the World Health Organisation and many governments are taking stringent steps in order to contain and/or delay the spread of the virus. Many of the actions taken in response to the spread COVID-19 have resulted in significant disruption to normal business operations and an increase in economic uncertainty which in turn impacts the estimation process inherent in financial reporting. See Note 19 for further details on the impact on the Company.

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

The auditor in office will be deemed to have been re-appointed pursuant to section 487(2) of the Companies Act 2006, unless the members or Directors resolve otherwise.

RRutherford

By order of the Board
R Rutherford
Director
24 June 2020

Statement of Directors' responsibilities in respect of financial statements

The following statement, which should be read in conjunction with the independent auditors' report, is made by the Directors to explain their responsibilities in relation to the preparation of the Director's report, strategic report and financial statements.

The Directors are responsible for preparing the Director's report, strategic report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards including Financial Reporting Standard 101 'Reduced Disclosure Framework' and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8: "Accounting policies, changes in accounting estimates and errors" and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements of FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- State that the Company had complied with FRS 101, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of ParFX (UK) Limited

Opinion

We have audited the financial statements of ParFX (UK) Limited ("The Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework.

In our opinion, the financial statements:

- Give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 19 of the financial statements, which describes the economic and social disruption the Company is facing as a result of COVID-19 which is impacting consumer demand, financial markets and personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
  The Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement as set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities.
This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter three of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Helen Joseph (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
24 June 2020

Statement of comprehensive income

For the year ended 31 December

	Notes	2019 USD '000	Restated 2018 USD '000
Turnover	3	6,845	7,111
Administrative expenses		(5,497)	(5,549)
Operating profit	4	**1,348**	**1,562**
Other income		146	147
Profit before interest and tax		**1,494**	**1,709**
Interest payable	5	-	(13)
Profit before tax		**1,494**	**1,696**
Tax on profit on ordinary activities	8	(293)	(318)
Profit for the year after tax		**1,201**	**1,378**

Prior Year restatement of Administrative expenses and Tax on profit on ordinary activities relates to two separate restatements; one for the under recovery of VAT self-identified and reported on a voluntary declaration and secondly the recognition of previously disputed intercompany technology charges, resulting in a decrease in prior year profit after tax of USD 137k from USD 1,515k to USD 1,378k. See note 20: Restatement of prior year balances.

The notes on pages 15 to 31 form part of these financial statements.

Balance sheet

As at 31 December

	Notes	2019 USD '000	Restated 2018 USD '000
Current assets			
Trade and other receivables	9	2,154	1,653
Deferred Tax	14	-	24
Cash and cash equivalents	12	834	1,347
		2,988	**3,024**
Creditors: amounts falling due within one year			
Créditors: amounts falling due within one year	10	(7,398)	(8,550)
Corporation tax		(266)	(351)
		(7,664)	**(8,901)**
Net current assets		(4,676)	(5,877)
Net assets		**(4,676)**	**(5,877)**
Capital and reserves			
Called up share capital	11	0	0
Retained earnings		(4,676)	(5,877)
Shareholders' funds		**(4,676)**	**(5,877)**

Prior Year restatement of Current Assets: Deferred Tax, Current Assets: Trade & other receivables, Current Liabilities: Creditors amounts falling due within one year and Profit and loss account, relates to two prior year restatements. See note 20: Restatement of prior year balances.

The notes on pages 15 to 31 form part of these financial statements.

The financial statements were approved and authorised for issue by the board of Directors on 24 June 2020 and were signed on its behalf by:

R Rutherford
Director

Statement of changes in equity

For the year ended 31 December 2019

	Share Capital USD '000	Retained earnings USD '000	Total Equity USD '000
At 1 January 2018 (restated)	-	(7,255)	(7,255)
Correction for prior period	-	(137)	(137)
Profit for the year	-	1,515	1,515
At 31 December 2018 (restated)	-	(5,877)	(5,877)
At 1 January 2019	-	(5,877)	(5,877)
Profit for the year	-	1,201	1,199
At 31 December 2019	**-**	**(4,676)**	**(4,678)**

Correction for prior period of USD 137k relates to the component of the Company's Voluntary Declaration for Value Added Tax (VAT) for 2018 and for the entire restatement for previously disputed intercompany technology charges.
Prior Year restatement of opening retained earnings of USD 32k (from USD 7,287k to USD 7,255k) relates to the 2015 – 2017 component of the Company's Voluntary Declaration for VAT.
See note 20: Restatement of prior year balances for further information on the prior year restatements.

The notes on pages 15 to 31 form part of these financial statements

Notes to the financial statements

For the year ended 31 December 2019

1. Authorisation of financial statements

The financial statements of ParFX (UK) Limited for the year ended 31 December 2019 were authorised for issue by the Board on 23 April 2020, and the Balance Sheet was signed on the Board's behalf by R Rutherford. The Directors have the power to amend and reissue the financial statements.

2. Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

New, revised or amended Accounting Standards and Interpretations adopted

The Company adopted the following standards as of 1 January 2019:

Standard	Name	Effective date
IFRS 16	'Leases'	1 January 2019

IFRS 16 'Leases' was applicable as of 1 January 2019 and requires lessees to account for all leases under a single on-balance sheet model. The Company does not have any ongoing lease contracts as at 31 December 2018 and thus there was no impact on its financial statements from the initial application of IFRS 16.

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and FRS 101 Reduced Disclosure Framework. The financial statements have been prepared on a going concern basis.

The Company's financial statements are presented in USD and all values are rounded to the nearest one thousand dollars (USD 1k), except when otherwise stated

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions:

- Disclosure of comparatives for tangible and intangible fixed asset reconciliations;
- Presentation of a statement of cash flows;
- Disclosure of key management compensation;
- Disclosure of related party transactions between wholly owned group companies; and
- Impairment of assets

Revenue Recognition

IFRS 15 "Revenue from Contracts with Customers" establishes a five-step model to account for revenue deriving from contracts with customers, where revenue is recognised as and when 'control' of the goods and services underlying a particular performance obligation is transferred to the customer. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

Electronic Brokerage

The Company provides a wholesale electronic trading platform for spot FX products, supporting multiple currency pairs on a 24 hour basis. Electronic revenues earned are recognised on trade date (when the transaction is enforced between the counterparties) as there are no further services rendered to the clients once the deal is done. Outstanding brokerage is reflected on the balance sheet as trade debtors.

API Connection Fees

In order for customers to access the electronic trading platform, necessary order entry connections or interfaces are established. Connection fees are recognised on an accrual basis each month that the connection is available to use.

Data Sales

Revenues generated and costs incurred from the provision of electronic data to third parties is initially recognised in Tradition Management Services Limited on an accruals basis, and then transferred to the Company's books and records. The revenue continues to be recognised over the duration of the contract for the provision of these services. The Data Sales revenue is recorded in Other Income.

Disaggregation of Revenue from contracts with customers

The Company derives revenue from contracts with customers as described below. The core customers of the Company are banks and financial institutions.

Type of contract:	2019 USD '000	2018 USD '000
- Electronic brokerage	5,158	5,433
- API connection fees	1,687	1,678
- Provision of data	146	147
Total Revenue from contracts with customers	6,991	7,258

Interest income and expenses

Interest income and expenses are recognised on an accruals basis.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Pensions

The Company operates a defined contribution scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of 3 months or less.

Provision for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Consolidated financial statements

The Company has taken advantage of section 400 Companies Act 2006 allowing it not to publish consolidated financial statements.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.
There are no accounting policies that are deemed critical to the Company's results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation.

Financial instruments

IFRS 9 'Financial Instruments' was adopted with effect from 1 January 2018 and entailed a change in the way financial instruments are presented on the balance sheet.

i) Financial assets

Initial recognition and measurement
The classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments (i) amortised cost, (ii) fair value through other comprehensive income ("FVOCI") and (iii) fair value through profit or loss ("FVTPL"). Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income. Under IFRS 9, derivatives embedded in financial assets are not bifurcated but instead the whole hybrid contract is assessed for classification.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the transaction date, i.e., the date that the Company commits to purchase or sell the asset. The Company's financial assets include cash and short-term deposits, trade and other receivables and derivative financial instruments.

Receivables are initially measured at their transaction price if they do not contain a significant financial component. Other financial assets are initially measured at their transaction price if they do not contain a significant financial component. Other financial assets are initially measured at fair value; financial assets not measured at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition of the asset.

Subsequent measurement

All recognised financial assets are subsequently measured at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost

The amortised cost of a financial asset is the amount at which it is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Trade and other receivables are measured at amortised cost using the effective interest method minus impairment losses.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit of loss

A financial asset is measured at fair value through profit or loss, unless it is measured at amortised cost or at fair value through other comprehensive income.

Other equity instruments are measured at fair value through profit or loss as are derivative financial instruments except if the derivative instrument is designated as a hedging instrument.

ii) Impairment of financial assets

Under IFRS 9, impairment of a financial asset measured at amortised cost is calculated using the ECL model. The ECL allowance is based on the credit losses expected to arise over the life of the asset and are calculated based on either:

- 12 month ECLs: these are ECLs that result from expected default events within 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all expected default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses for broking receivables which models lifetime expected loss allowance on a collective basis. A general approach is taken for assessing the ECL for all other financial asset types. The calculated ECL for broking receivables and other financial assets was deemed immaterial and has not been recognised.

Forward looking macroeconomic scenarios and their probability weightings are used to derive the economic inputs in the ECL models. Credit losses are measured as the present value of all cash shortfalls, representing the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and recognised in the P&L.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified at fair value through profit and loss or amortised cost. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value; financial liabilities not measured at fair value through profit or losses are measured at fair value minus transaction costs directly attributable to the issue of that liability.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities at amortised cost

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

De-recognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

iv) Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

3. Revenue and segmental reporting

Turnover represents commissions receivable in connection with the broking of spot FX transactions and connection fees, net of any VAT and trade discounts given.

The Company has not disclosed segmental information as it is out of scope of IFRS 8 and is included within the consolidated financial statements of its parent undertaking, which are publicly available as referred to in note 13 to these financial statements.

4. Operating profit

This is stated after charging/crediting:

	2019 USD '000	2018 USD '000
(Loss) / gain on foreign exchange	(142)	245
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the annual accounts	30	20

5. Interest Payable

	2019 USD '000	2018 USD '000
Other interest payable	-	(13)
	-	(13)

6. Directors remuneration

	2019 USD '000	2018 USD '000
Directors' remuneration	508	476
Pension contribution	2	2
	510	478
Remuneration of highest paid Director	508	476
Pension contributions	2	2
	510	478

The Company is related to a number of UK entities which comprises TFS Derivatives Limited, Tradition Financial Services Limited, Tradition London Clearing Limited, Tradition (UK) Limited and Tradition Management Services Limited. Whilst these entities do not all have the same immediate parent, for the purposes of these financial statements they are described as the "Tradition UK group".

Some of the Directors of the Company are remunerated by other Tradition UK group companies or Compagnie Financière Tradition SA group companies and particulars of their remuneration are included within the financial statements of those relevant companies. Where disclosure is not made in the Compagnie Financière Tradition SA annual report the estimated remuneration for services to the Company by the Directors is included in the Directors' remuneration total above.

None of the Company Directors had outstanding loans with the Company as at 31 December 2019 or 31 December 2018.

7. Staff Costs

	2019 USD '000	2018 USD '000
Wages and salary costs	1,219	1,232
National insurance contributions	168	173
Other pension, life assurance and staff benefits	18	20
	1,405	1,425

Average number of persons employed (including Directors):

	2019 No.	2018 No.
Management	3	4
	3	4

8. Taxation

	2019 USD '000	Restated 2018 USD '000
UK corporation tax charge – current year	266	350
UK corporation tax charge – prior year	3	-
Total corporate tax	269	350
Deferred tax movement (see note 14)	24	(32)
Total tax charge for the year	293	318

Reconciliation of the total tax charge

	2019 USD '000	Restated 2018 USD '000
Profit on ordinary activities before tax	1,494	1,696
At average rate of corporation tax of 19.0% (2018: 19.0%)	284	322
Disallowed expenses	8	9
Adjustment in respect of prior periods – corporation tax	3	-
Transfer pricing adjustment	(2)	(13)
Total tax charge reported in Statement of Comprehensive Income	293	318

Prior Year restatement of Deferred Tax relates to the recognition of the 2018 VAT receivable as part of the Voluntary Declaration and the recognition of previously disputed intercompany technology charges. See note 20: Restatement of prior year balances.

9. Trade and other receivables

	2019 USD '000	Restated 2018 USD '000
Trade debtors	1,506	1,004
Other taxation and social security	85	64
Prepayments and accrued income	531	531
Amounts due from related parties	32	54
	2,154	1,653

Prior Year restatement of Other taxation and social security of USD 64k relates to the recognition of the prior year component of the VAT receivable as part of the Voluntary Declaration (an increase of USD 118k from USD 54k payable to USD 64k receivable). See note 20: Restatement of prior year balances.

10. Creditors: amounts falling due within one year

	2019 USD '000	Restated 2018 USD '000
Accruals and other creditors	2,213	2,376
Other taxation and social security	35	33
Amounts due to group undertakings	5,150	6,141
	7,398	8,550

Prior Year restatement of Other taxation and social security of USD 54k relates to the recognition of the prior year component of the VAT receivable as part of the Voluntary Declaration (a decrease from USD 87k payable to USD 33k receivable). Prior Year restatement also increases Amounts due to group undertakings from USD 5,894k to USD 6,141k relating to the recognition of previously disputed intercompany technology charges. See note 20: Restatement of prior year balances

11. Called up share capital

	2019 USD	2018 USD
Authorised, allotted and fully paid		
1 ordinary share of £1	1	1
	1	1

12. Cash and cash equivalents

Cash and cash equivalents comprise the following at 31 December:

	2019 USD '000	2018 USD '000
Cash at banks and on hand	834	1,347
Cash and cash equivalents	834	1,347

13. Parent undertaking

The Company's immediate parent undertaking is ParFX Holding SA, a company registered in Switzerland and a subsidiary of Compagnie Financière Tradition SA which is also registered in Switzerland.

Compagnie Financière Tradition SA has included the Company in its group accounts, copies of which are publicly available from their offices at Rue de Langallerie 11, Lausanne 1003.

In the Directors' opinion, the Company's ultimate parent company and controlling party is Viel et Compagnie Finance SE, which is incorporated in France. Copies of its group accounts, which include the Company, are publicly available from their offices at 9, PL Vendôme, Paris 75001.

14. Deferred Tax

	2019 USD '000	Restated 2018 USD '000
Depreciation in excess of capital allowances	-	-
Other short term temporary timing differences	-	24
	-	24
Asset at 1 January	24	(7)
Charge for the year	(24)	32
Asset at 31 December	-	24

Prior Year Restatement of USD 24k; USD 7k of which is shown in the opening liability and USD 32k shown as the 2018 charge for the year (from USD nil to USD 32k) relates to the recognition of a deferred tax asset in relation to the prior year components of the Voluntary Declaration for VAT receivable and the recognition of previously disputed intercompany technology charges. This deferred tax asset was recognised at 19.0% and unwound in 2019. See note 20: Restatement of prior year balances.

15. Related party transactions

During the year the Company entered into the following transactions in the ordinary course of business with the following related parties:

Related party	*Amounts owed by related party USD'000*	*Amounts owed to related party USD '000*
Shareholder and associated companies:		
2019	32	5,150
2018 (restated)	54	6,141

Prior Year restatements have increased Amounts due to group undertakings from USD 5,894k to USD 6,141k relating to the recognition of previously disputed intercompany technology charges. See note 20: Restatement of prior year balances

Receivables from shareholder and associated companies and payables to shareholder and associated companies include all receivables and payables due to or by the VIEL et Compagnie-Finance, Paris, the ultimate majority shareholder and all subsidiaries of that company.

Terms & Conditions

Outstanding balances with related parties are unsecured, interest free and cash settled.

The Company has not provided or benefited from any guarantees or commitments for any related party receivables or payables. During the period ended 31 December 2019 the Company has not made any provision for expected credit losses relating to amounts owed by related parties (2018: £nil).

16. Analysis of financial assets and liabilities by measurement basis

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the balance sheet by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

	Financial assets and liabilities at amortised cost USD '000	Total USD '000
2019		
Assets		
Trade debtors	1,506	1,506
Cash at bank and in hand	834	834
Other receivables	471	471
Amounts due from related parties	32	32
Total financial assets	2,843	2,843
Total non-financial assets		145
Total assets		**2,988**
Liabilities		
Other creditors	2,248	2,248
Corporate tax payable	266	266
Amounts due to related parties	5,150	5,150
Total financial liabilities	7,664	7,664
Total non-financial liabilities		-
Total liabilities		**7,664**
2018 (restated)		
Assets		
Trade debtors	1,004	1,004
Other receivables	395	395
Cash at bank and in hand	1,347	1,347
Amounts due from related parties	54	54
Total financial assets	2,800	2,800
Total non-financial assets		224
Total assets		**3,024**
Liabilities (restated)		
Other creditors	2,409	2,409
Corporate tax payable	351	351
Amounts due to related parties	6,141	6,141
Total financial liabilities	8,901	8,901
Total non-financial liabilities		-
Total liabilities		**8,901**

17. Capital Management

The responsibility for the Company's capital planning lies with the Board of Directors (the "Board"). Any changes to capital are proposed to the Board and also require the approval of Compagnie Financière Tradition SA (refer to note 13). Capital is generated from shareholder funds. Shareholder funds are in the form of share capital and retained earnings.

18. Financial risk management policies and objectives

The Company is primarily exposed to the following risks:

- Operational risk;
- Credit risk;
- Market risk;
- Interest rate risk;
- Liquidity Risk;
- Legal and Reputational risk; and
- Conduct risk.

Operational risk

As the Company operates an electronic broking platform, it is exposed to operational risks associated with technology outages and system related errors. These risks are mitigated through a resilient architecture with failover capabilities and supported by robust operational procedures. The system is monitored and supported by Tradition's IT Operations and Trading Operations teams on a 24x7 basis.

Credit risk

Credit and counterparty risk is the risk of financial loss in the event that a customer or counterparty to a financial instrument does not fulfil its obligations. Credit default risk potentially impacts brokerage receivable. The Company is an interdealer broker serving predominantly banks, financial institutions and major energy companies with high credit ratings. The broking business consists of facilitating contacts between two counterparties to a trade, and receiving a commission for services rendered. The Company's exposure to credit risk is therefore limited to its own claims in connection with these activities. The quality of counterparties is evaluated locally and commission receivables are closely monitored. Where recovery, of all or part of amounts due is in doubt, a provision is set up so that the Statement of Financial Position fairly reflects current expected credit losses. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at reporting date. Oversight of the provision process is undertaken through the Credit Control Committee which also tracks the month to month credit and collections performance of its clients. The maximum credit risk exposure relating to financial assets is represented by the carrying value of total financial assets as at balance sheet date.

Loss allowance

The Company applies the IFRS 9 simplified approach to measuring expected credit losses for broking receivables which models lifetime expected loss allowance on a collective basis. A general approach is taken for assessing the ECL for all other financial asset types. The calculated ECL for broking receivables and other financial assets was deemed immaterial and has not been recognised.

Market risk

The Company's revenues are predominantly in USD whilst its cost base is in USD and GBP. This exposes the Company to foreign currency risk where the settlement of transactions is made in a currency other than USD. It is Company policy to monitor foreign currency bank balances daily and, in order to minimise such risk, sells down surplus foreign currency balances on a regular basis. Moreover the risk management function, applies a hedging policy to proactively reduce foreign currency risk across the balance sheet.

The following table indicates the extent to which the Company was exposed to currency risk at 31 December on its non-trading monetary assets and liabilities, and forecast cash flows.

The analysis is performed for a reasonable possible movement of the GBP against USD, with all other variables held constant, on the Statement of Comprehensive Income and equity.

	% Movement in Currency Rates	Effect on Net Profit USD '000	Effect on Equity USD '000
2019			
Currency			
GBP	5%	135	-
GBP	(5%)	(149)	-
2018			
Currency			
GBP	5%	233	-
GBP	(5%)	(258)	-

Interest rate risk

The Company's exposure to interest rate risk in the banking book is very limited since it does not conduct classical banking activity. The Company's exposure to interest rate risk arises from the possibility that changes in interest rates will affect the interest income or the net value of equity. However, the Company does not carry large interest bearing assets and/or liabilities on its balance sheet. Where interest bearing assets and liabilities exist, they are typically of short maturity (less than three months) and consequently this risk is marginal. Moreover, the bank pooling facility is in place for the Tradition UK group enable bank balances to be effectively managed on a daily basis and restrict the need for overnight overdraft positions thus limiting any interest charges thereon.

Liquidity risk

Liquidity Risk is the current or prospective risk arising from the inability to meet obligations as they fall due without incurring unacceptable losses. As the Company does not conduct matched principal business, the main type of liquidity risk that it is exposed to is balance sheet or working capital liquidity being the need to finance working capital requirements.

The Chief Financial Officer is responsible for the Company's liquidity management including the establishment and maintenance of systems and controls over the recording and disbursement of funds in accordance with Board approved bank mandates and the segregation of duties between the movement of funds and the recording thereof.

The following table summarises the maturity profile of the Company's financial liabilities as at 31 December 2019 and 2018 based on contractual undiscounted payments.

Year Ended 31 December 2019	On demand USD' 000	Less than 3 months USD '000	3 to 12 months USD '000	Total USD '000
Non-derivative Financial Liabilities				
Trade and other creditors	2,936	979	3,749	7,664
Total	2,936	979	3,749	7,664

Year Ended 31 December 2018 (restated)	On demand USD' 000	Less than 3 months USD '000	3 to 12 months USD '000	Total USD '000
Non-derivative Financial Liabilities				
Trade and other creditors	5,213	2,412	1,276	8,901
Total	5,213	2,412	1,276	8,901

Prior Year restatement relates to the recognition of the prior year VAT component now recording as a receivable as part of the Voluntary Declaration and the movement in amounts owed to group undertakings for previously disputed intercompany technology charges. See note 20: Restatement of prior year balances.

Operational Liquidity

With respect to balance sheet liquidity non-trading transactions do not generate significant liquidity risk exposures and are managed through regular cash flow forecasts. In order to maximise its liquidity position, the Company actively works to minimise the aged debtors which are formally monitored through the Credit Control Committee and reduce debtor days.

Market Liquidity

As an inter-dealer broker, the Company does not carry proprietary positions and the impact of market liquidity is therefore not considered material from a liquidity risk exposure perspective, except in the event of a counterparty failure which is covered as part of credit risk.

Pillar 3 of Basel II is related to market discipline and aims to make firms more transparent by requiring them to publish specific, prescribed details of their risks, capital and risk management under the Basel II framework. The Company's qualitative and quantitative pillar 3 disclosures are published on its website, www.tradition.com.

Legal and reputational risk

From time to time the Company may be engaged in litigation in relation to a variety of matters, and it is required to provide information to regulators and other government agencies as part of informal and formal enquiries or market reviews. The Company's reputation may also be damaged by any involvement or the involvement of any of its employees or former employees in any regulatory investigation and by any allegations or findings, even where the associated fine or penalty is not material.

Conduct risk

The FCA has outlined its approach to managing conduct risk. Conduct risk relates to the risk that detriment is caused to the Company, its customers, its counterparties or the market, as a result of inappropriate execution of business activities. The Company takes a holistic approach to assessing conduct risks in order to ensure that these are being managed in accordance with the FCA's strategic objectives of protecting clients, ensuring markets function effectively and promoting competition. The Company will assess key risks across the business, identifying key controls and ensuring that the Board is receiving the right information to enable it to challenge effectively the management of such risks by the business.

19. Events after the balance sheet date

The COVID-19 pandemic is resulting in significant volatility in financial markets as well as disruptions to people's lives as a result of preventative measures at a national and global level. The Company is relatively protected against any decline in brokerage revenues due to the minimum monthly brokerage committed by its Founding members.

Through a dedicated committee which meets frequently, the Tradition UK group is actively managing its response to COVID-19 which included the provision of significant remote working capabilities supported by IT, to enable personnel to work away from the Company's offices whilst still maintaining appropriate controls and risk processes over their activities. There has not been any material disruption to its operations as a result.

The Board have considered the potential impact of a future period of reduced activity on the performance and position of the Company including undertaking financial modelling of a potential downside scenario arising from any reduced revenues due to depressed market activities. The modelling shows that the Company would still be able to withstand any downturn in revenues whilst remaining able to meet its liabilities as they fall due and regulatory capital requirements for the foreseeable future and as a result the Board currently has no reason to believe that this will affect the going concern status of the Company. Senior management of the Company are in receipt of frequent management information including daily revenue which enables them to assess the matter as it develops.

20. Restatement of prior year balances

During 2019 an error in the Value Added Tax (VAT) treatment of external IT development invoices was self-identified. As such, a Voluntary Declaration has been undertaken by the Company for the four years ending September 2019 (restatement 1). The total output tax identified as overpaid was USD 118k (USD 78k relating to 2018 and USD 40k relating to the previous years).
A second prior year restatement (restatement 2) relates to the recognition of previously disputed intercompany technology charges. The Company has restated USD 247k of administrative expenses in relation to these intercompany changes into the prior year when the service was consumed.

The prior year in these financial statements includes the following restatements;

Restatement 1:
Recognition of the recoverable VAT on external IT development invoices for the period 2015 – 2019.

- Increase in Trade and other receivables - VAT receivable of USD 64k (USD 24k in relation to 2018 and USD 40k in relation to the 2015-2017 component of the Voluntary Declaration).
- Reduction in Creditors - VAT payable of USD 54k (2018 component).
- Recognition of the Deferred Tax temporary difference on the VAT recovery on which corporation tax will be paid in 2019 of USD 22k (USD 15k in relation to 2018 and USD 7k in relation to the 2015-2017 component of the Voluntary Declaration).
- Increase in 2018 profit for the year of USD 63k comprising a reduction of Administrative expenses for VAT recovery of USD 78k less the tax impact of USD 15k.
- Increase in opening retained earnings of USD 32k comprising a reduction of Administrative expenses for VAT recovery of USD 40k less the tax impact of USD 8k.

Restatement 2:
Recognition of intercompany technology charges consumed in 2018, but agreed in 2019.

- An increase to Creditors: Amounts due to group undertakings of USD 247k.
- Recognition of the Deferred Tax temporary difference on the IT charges on which corporation tax relief will be taken in in 2019 of USD 47k.
- Decrease in 2018 profit for the year of USD 200k comprising an increase in Administrative Expenses of USD 247k less the tax impact of USD 47k.

Statement	*Classification*	*2018 Signed Financials*	*PY Restatement #1*	*PY Restatement #2*	*2018 Restated Balance*
		USD '000	*USD '000*	*USD '000*	*USD '000*
Balance Sheet	Current Assets: Trade & Other Receivables	1,589	64	0	1,653
Balance Sheet	Current Assets: Deferred Tax	-	(22)	47	24
Balance Sheet	Current Liabilities: Creditors	(8,357)	54	(247)	(8,550)
Balance Sheet	Retained Earnings	5,772	(95)	200	5,877
Statement of Comprehensive Income	Administrative Expenses	(5,379)	78	(247)	(5,549)
Statement of Comprehensive Income	Tax on profit on ordinary activities	350	15	(47)	318
Statement of Comprehensive Income	Profit on ordinary activities after tax	1,515	63	(200)	1,378
Statement of Changes in Equity	Retained Earnings – 1 January 2018	7,287	(32)	0	7,255
Statement of Changes in Equity	Profit for the year – 2018	(1,515)	(63)	200	(1,378)